

Message Text

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PAGE 01 MUSCAT 00928 311028Z

12

ACTION NEA-09

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 ISO-00 CIAE-00

DODE-00 PM-03 H-01 INR-07 L-02 NSAE-00 NSC-05 PA-01

RSC-01 PRS-01 SP-02 SS-15 USIA-06 FEA-01 AEC-05

AID-05 CEA-01 CIEP-01 COME-00 EB-07 FPC-01 INT-05

OMB-01 SAM-01 OES-03 STR-01 TRSE-00 FRB-01 /117 W

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P R 310845Z DEC 74

FM AMEMBASSY MUSCAT

TO SECSTATE WASHDC PRIORITY 739

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY CARACAS

AMEMBASSY CAIRO

AMEMBASSY JAKARTA

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY QUITO

AMEMBASSY TRIPOLI

C O N F I D E N T I A L MUSCAT 928

E.O. 11652: GDS

TAGS: ENRG, MU

SUBJECT: OMAN BREAKS WITH OPEC ON PRICING, PARTICIPATION,
OTHER PETROLEUM DEVELOPMENTS

REF: MUSCAT 903 (NOTAL)

1. OMAN HAS FOR THE PRESENT EXERCISED FLEXIBILITY AS NON-
OPEC MEMBER AND SPLIT WITH THAT ORGANIZATION AS WELL AS
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PAGE 02 MUSCAT 00928 311028Z

RECENT GULF OIL CONFERENCE ON ISSUES OF PRICING AND MOVE

TO 100 PERCENT PARTICIPATION. OMAN'S POSTED PRICE STANDS AT OCTOBER 1 LEVEL OF 12.298; ROYALTY RATE IS 16.57 PERCENT; TAX RATE IS 65.75 PERCENT; AND OMANGOV HOLDS 60 PERCENT PARTICIPATION IN SOLE PRODUCER, PD(O). AVERAGE GOVERNMENT TAKE ON ALL CRUDE PRODUCTION ESTIMATED AT SLIGHTLY OVER DOLS 10.00 PER BARREL, OR AT LEAST DOLS 1.00 BELOW OTHER GULF PRODUCERS.

2. PRICE DIFFERENTIAL MAY BE TEMPORARY, SINCE GOVERNMENT AND SHELL PLAN TO MEET IN JANUARY. HOWEVER, BOTH OIL COMPANY REPS AND GOVERNMENT OFFICIALS HAVE INFORMED US OMANGOV UNLIKELY TO INCREASE PARTICIPATION SHARE. OMAN PRODUCTION COSTS RELATIVELY HIGH BECAUSE OF SEVERAL FACTORS, INCLUDING DISTANCE OF FIELDS FROM COAST, LIMITED PRODUCTION RELATIVE TO REST OF GULF, AND GENERAL ABSENCE OF FREE-FLOWING FIELDS. ALSO, INCENTIVES TO COMPANY MUST BE MAINTAINED IN ORDER TO ENCOURAGE NEW FIELD DEVELOPMENT INVOLVING HARD-TO-HANDLE HIGH VISCOSITY CRUDES WHILE AT SAME TIME MAINTAINING COST CONTROL BY MAINTAINING COMPANY SHARING OF EXPENSES.

3. IN OTHER PETROLEUM DEVELOPMENTS, DIRECTOR OF OIL AND MINERALS SALIM MACKI IS DEPARTING HIS POST FOR MBA STUDY AT HARVARD. HIS FUNCTION IN RELATION TO OIL COMPANY WILL BE TAKEN FOR PRESENT BY SAUDI-BORN, U.S.-EDUCATED ECONOMIC ADVISER, DR. YUSUF NIMATALLAH, WHO HAS SERVED AS MACKI'S ALTERNATE ON OIL COMPANY BOARD.

4. MEANWHILE, PLANNED PRODUCTION FROM GHABA AND SAIH RAWAL FIELDS HAS BEEN DELAYED BECAUSE OF MATERIALS SHORTAGES AND TRANSPORT PROBLEMS ASSOCIATED WITH HEAVY DEFENSE USE OF UNDEVELOPED ROADS. GHABA ONSTREAM PROJECTION DATE NOW MARCH 31, SAIH RAWAL JUNE 1. ESTIMATED PRODUCTION INCREASE FOR 1975 WILL THUS DROP FROM 375,000 BPD TO PERHAPS AS LOW AS 350,000 BPD.
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